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C O N F I D E N T I A L SECTION 01 OF 03 WELLINGTON 000566

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STATE FOR D (CASTRO), EAP/FO, EAP/P AND EAP/ANP
STATE PASS DEPT OF AGRICULTURE
NSC FOR VICTOR CHA AND MICHAEL GREEN
SECDEF FOR OSD/ISA LIZ PHU
PACOM FOR J2/J233/J5/SJFHQ
USDA FOR SECRETARY JOHANNIS AND FAS/MIKE CONLON

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TAGS: [PREL](#) [PGOV](#) [EAGR](#) [NZ](#)

SUBJECT: THE SLEAZE HITS THE FAN: AN INCREASINGLY WORRIED
LABOUR CLAIMS NATIONAL IS U.S. PAWN

Classified By: Charge D'Affaires David R. Burnett,
for reasons 1.4 (b) and (d).

[11.](#) (C) Summary: Facing rapid losses in the polls, the ruling Labour Party has apparently decided to play the anti-American card, telling New Zealanders that a vote for the National Party means a vote against New Zealand's independent foreign policy. Embassy Wellington is in general keeping a low profile on this and other election-related issues. However, we released a press statement in response to veiled Labour allegations that U.S. interests are funding and controlling the National Party's campaign. We have also quietly warned the Government that we will similarly respond to any further baseless allegations. Labour's actions are not without risk to its own interests: more than one media report has expressed suspicions that the Government is trying to divert attention from its problem-plagued domestic policies. In light of Labour's actions, Ambassador Swindells strongly recommends that Washington reconsider whether Agriculture Secretary Johannis should visit New Zealand just weeks before

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the general elections (see para 13). End Summary.

THE MITTS COME OFF

[12.](#) (SBU) After months of appearing invulnerable to a series of scandals and controversies, the Labour Government's armor is apparently beginning to crack. A series of polls conducted in recent weeks has shown support for the opposition National Party is increasing at the same time as Labour's is falling. The most recent polls, conducted over the weekend, have shown National now leads Labor by between three and five percentage points, although neither party has majority support. (A One News/Colmar Brunton poll issued July 18 showed National's support at 42 percent vs. Labour at 39 percent; a July 16 Fairfax New Zealand/AC Nielson poll showed 42 vs. 37 percent, respectively.)

[13.](#) (C) It is now almost certain that elections will not be held until mid-September rather than late August, and Labour's worry over its recent slide is at least partly responsible for the later date. But although the Prime Minister is not likely to announce the election date formally before August 20, campaigning is already well underway and is becoming more personal and vicious. In a recent speech, Dr. Brash called PM Clark "a petty, spiteful, deceitful leader whose government was 'rotten to the core.'" Meanwhile, an apparently worried Labour has made the decision to play the anti-American card: senior Labour officials have begun to imply that a vote for National would mean a vote against an independent NZ foreign policy, and a vote for a U.S.-run NZ government.

[14.](#) (SBU) On Tuesday, PM Clark and Michael Cullen each claimed in separate speeches that the question of National leader Don Brash's credibility would be a cornerstone of Labour's campaign. At the same time, Labour began to run advertisements in local newspapers and on buses that include a statement Brash made about the Iraq War some time ago -- that given the evidence surrounding Saddam and weapons of mass destruction, he too would have "done the same thing as President Bush" i.e., sent New Zealand troops to participate in Operation Iraqi Freedom. Young Labour also put up posters showing side-by-side photos of Brash and the President, together with the accompanying slogan "Can you spot the difference?" Cullen also questioned in his speech where National was getting its money, claimed that the party had much more money than Labour, and implied that some funds were coming from overseas.

[15.](#) (SBU) In response, Brash told the media that Labour was just trying to divert attention from the Government's

domestic policies. Obviously wishing to avoid the question of the Iraq war, which remains deeply unpopular here, Brash also stressed that the past was the past and it makes no sense to talk about what he would have done two years ago. Undaunted, Foreign Minister Goff issued an official statement claiming that Brash's Iraq policies were a legitimate question: Australia has recently decided to send more troops to Iraq; would Brash as PM make a similar decision? After repeated questions by the media, Brash later fleshed out his stance, "In some circumstances we (i.e., a National-led Government) might certainly go with the United States but we make that judgment in the light of what's in New Zealand's best interests."

CROSSING THE LINE

16. (SBU) On July 23, Education Minister Mallard upped the ante. During a press conference that was ostensibly on the Government's education policies, he alleged that "the lead bag man" for Brash "is an American..." and that "we will name him at the appropriate time." Mallard then went on to say that "...if you say nukes gone by lunchtime and you have very close relations on Iraq and may or may not have made promises to send troops to Iraq the fact that an American is collecting cash for you is I think pretty interesting." He also said that "...Brash has indicated that he will act on American lines more than any government in New Zealand ever has in the past," and added that National's campaign is being written by Americans. While claiming that his remarks were not directed at Americans or the Bush Administration, Mallard clearly meant to hint at U.S. Government connection to National's financiers, remarking, "...I think New Zealanders expect our policies...to be written in Wellington not Washington."

17. (SBU) Despite the fact that the Charge had hosted Mallard to dinner the night before, the Embassy first learned about the Minister's claims from a journalist who was reporting on the story and wished to know the Embassy's response. (The Charge had actually raised concerns about Young Labour's poster campaign over dinner; the Minister did not respond but looked very uncomfortable.)

THE EMBASSY (VERY QUIETLY) WEIGHS IN

18. (SBU) After learning of the press inquiries concerning Mallard's innuendoes, the Charge called Ministry of Foreign Affairs (MFAT) and Trade CEO Simon Murdoch, who was unaware of Mallard's comments. (We then faxed the transcript to him.) Murdoch contacted Minister Goff, who was on travel within New Zealand and about to board a flight. Goff agreed that a line had been crossed, and said he would call the Charge once he returned to Auckland.

19. (SBU) Brash, meanwhile, was telling the media that this was a low blow. National's policies are not for sale, he said, and are written by New Zealanders for New Zealanders. Although the media has speculated the financial backer in question is Julian Robertson, a wealthy US property developer who has been a part-time resident here for years, Brash denied that National has gotten truly significant funding from any single donor. TVNZ, in reporting the flap, implied that Mallard's comments were driven by National's hard-hitting criticism of Labour's education policies. TVNZ also ran old footage of an obviously pleased Prime Minister Clark meeting with President Bush, commenting that Clark clearly relished the attention of the U.S. President. Radio NZ said that Mallard will have to soon prove his accusations or he will completely lose credibility.

110. (C) When, as promised, Goff called in, the Charge told him that we recognize that New Zealanders have the right to debate issues of substance during their election campaign, even when the issues involve the United States. The Embassy had not, for example, commented on Minister Goff's remarks on Labour's vs. National's Iraq policies. But by hinting that Washington was interfering in the elections and cutting secret deals with National, Mallard's statements had gone

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over the line. Goff agreed, noting that "Mallard's wording was not as careful as it should have been." The Charge countered that, on the contrary, Mallard's words seem to have been very carefully chosen to imply that there was U.S. Government involvement without actually saying so. Goff was silent at this. The Charge also reminded Goff that Ambassador Swindells had spoken in his July 4 speech of the failure of both governments to deal with the legacy of mistrust that exists between us. He added that Labour's tactics seemed designed to increase that mistrust rather than to reduce it.

11. (C) The Charge told Goff that the Embassy would have appreciated a head's up that Mallard would be making these remarks. Goff said that as was well known, he (Goff) has very favorable feelings towards the United States and close family connections there. (Goff's sister is an Amcit and has two sons serving in the U.S. military (one of who is in Iraq) with a third on his way to West Point.) But, he went on, the Government believes that these issues do resonate with the New Zealand public and it would therefore be foolish not to pursue them. There will be more campaigning on issues related to U.S. policy in the weeks ahead, he cautioned. The Charge said that was Labour's call to make, but if further false claims were made the Embassy would respond. Goff agreed that it was in the Embassy's right to do so, and endorsed the idea of our making a press statement refuting Mallard's claims. The Charge then released to the media the following statement, which has also been cleared by Washington:

"Our position is that the outcome of the upcoming election is entirely a matter for the people of New Zealand to decide. The U.S. Government has neither asked for nor received assurances of any kind from any political party in New Zealand. As Ambassador Swindells mentioned in his farewell speech, we stand ready to work with whomever New Zealanders choose to represent them in order to make this important relationship all that both countries want it to be."

COMMENT

12. (C) The tepid media reaction to Mallard's comments shows Labour's strategy might be a risky one. Many journalists are questioning the accuracy of the claims and have picked up with some sympathy National's view that this is a diversionary tactic. (Embassy has e-mailed a summary of media reports to EAP/ANP and others in Washington.) In addition, we understand that our MFAT contacts have been counseling the Government that there will be long-term impact on our bilateral relations if Labour continues its baseless diatribes and hints that a close relationship with the United States is in general not in New Zealand's interests. Meanwhile, we continue with our behind the scenes talks with MFAT and other key decision makers in government, the private sector, and the media about ways we can improve the bilateral relationship after the elections (septel).

13. (C) But if Labour wins, its campaign may impact our ability or desire to build bridges. Ambassador Swindells, who is on travel but has been kept abreast of the latest flap, also strongly recommends that Washington reconsider whether or not late August is a good time for Agriculture Secretary Johanns to visit New Zealand. Ordinarily such a

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visit would be a positive message of support for bilateral ties. However, we question whether a Cabinet-level visit just weeks before the elections might not be seen as interference in domestic politics or be used to undermine broader U.S. interests.

Burnett